

TOWN OF CANTON, NORTH CAROLINA



FINANCIAL STATEMENTS

June 30, 2024

(With Independent Auditor's Report Thereon)

TOWN OF CANTON

Canton, North Carolina

Mayor and Board of Aldermen/Alderwomen

Zeb Smathers

Mayor

Gail Mull

Mayor Pro-Tem

Kristina Proctor

Alderwoman

Dr. Ralph Hamlett

Alderman

Tim Shepard

Alderman

SHEILA GAHAGAN, CPA

229 Penland Street

Clyde, NC 28721

Phone: 828-627-1040 Fax: 828-627-2329

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Board of Aldermen/Alderwomen
Town of Canton, North Carolina

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Canton, North Carolina (Town of Canton), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Canton's basic financial statements as listed in the table of contents.

In my opinion, based on my audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Canton, North Carolina as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

I did not audit the financial statements of the Town of Canton ABC Board, which represents 1.7 percent, 1.8 percent, and 17.0 percent of the assets, net position, and revenues, respectively, as of June 30, 2024 and the respective changes in financial position, and where applicable, cash flows thereon for the year then ended. Those statements were audited by another auditor whose report has been furnished to me, and my opinions, insofar as it relates to the amounts included for the Town of Canton ABC Board, is based solely on the report of the other auditor. The financial statements of the Town of Canton ABC Board was not audited in accordance with *Governmental Auditing Standards*.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Town of Canton and to meet other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Canton's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Canton's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Canton's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 13, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 60 and 61, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and as a Percentage of Covered Payroll on pages 62 through 63, and the Schedule of Changes in Total OPEB Liability and Related Ratios on page 64, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States

of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Canton's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Implementation Act* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by me and other auditors. In my opinion, based on my audit, the procedures performed as described above, and the report of other auditors the combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 10, 2024 on my consideration of the Town of Canton's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Canton's internal control over financial reporting and compliance.



Sheila Gahagan, CPA

December 10, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Town of Canton, North Carolina Management's Discussion and Analysis

As management of the Town of Canton, we offer readers of the Town of Canton's financial statements this narrative overview and analysis of the financial activities of the Town of Canton for the fiscal year ended June 30, 2024. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

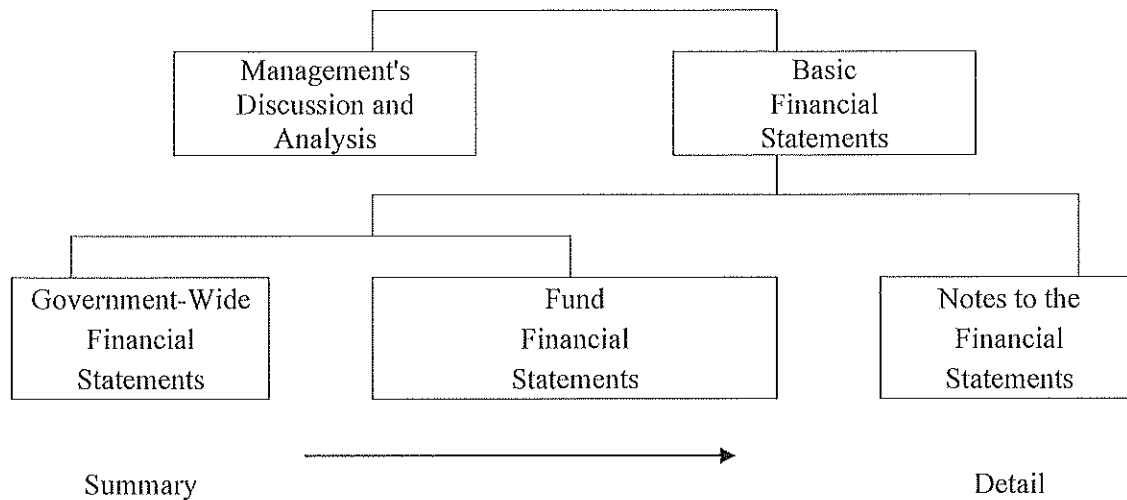
- The assets and deferred outflows of resources of the Town of Canton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$29,681,693 (*net position*).
- The Town of Canton's total net position increased by \$7,844,750 due to grants to replace or restore Town assets following flooding from Tropical Storm Fred in 2022, and an economic development relief grant following the mill closure.
- As of the close of the current fiscal year, the Town of Canton's governmental funds reported combined ending fund balances of \$11,669,203, an increase of \$5,372,514 in comparison with the prior year. Approximately 10% of this total amount, or \$1,168,578 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,500,625.
- The Town of Canton's total debt increased by \$146,953 or .88% during the current fiscal year due to increases in pension and lease liabilities.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Canton's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Canton.

Required Components of Annual Financial Statements

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statement.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status.

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred

outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the Town's basic services such as public safety, parks, sanitation, and general administration. Property taxes and state and federal funding finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer offered by the Town of Canton.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements - The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Canton, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Canton can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town of Canton's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Canton adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Town of Canton has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Canton uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Canton's progress in funding its obligation to provide pension benefits to its employees.

Government-Wide Financial Analysis

Town of Canton's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	16,898,319	11,601,552	5,417,578	5,691,000	22,315,897	17,292,552
Capital and ROU assets	15,859,100	15,167,792	12,397,830	12,019,705	28,256,930	27,187,497
Deferred outflow	2,336,233	2,545,057	566,500	552,060	2,902,733	3,097,117
Total assets and deferred outflows of resources	35,093,652	29,314,401	18,381,908	18,262,765	53,475,560	47,577,166
Current liabilities	5,279,049	5,476,081	(458,299)	377,268	4,820,750	5,853,349
Long-term liabilities	11,769,492	11,769,258	4,038,722	4,266,238	15,808,214	16,035,496
Deferred inflows of resources	2,630,284	3,191,008	534,619	660,370	3,164,903	3,851,378
Total liabilities and deferred inflows of resources	19,678,825	20,436,347	4,115,042	5,303,876	23,793,867	25,740,223
Net Position						
Net investment in capital assets	14,564,499	13,720,870	10,437,392	9,869,203	25,001,891	23,590,073
Restricted	1,151,075	2,261,565	-	-	1,151,075	2,261,565
Unrestricted	(300,747)	(7,104,381)	3,829,474	3,089,686	3,528,727	(4,014,695)
Total net position	15,414,827	8,878,054	14,266,866	\$12,958,889	29,681,693	21,836,943

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Canton exceeded

liabilities and deferred inflows by \$29,681,693 as of June 30, 2024. The Town's net position increased by \$7,844,750 for the fiscal year ended June 30, 2024. However, a large portion \$25,001,891 (84%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Canton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Canton's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position \$1,151,075 (4%) represents resources that are subject to external restrictions on how they may be used. The unrestricted balance is negative \$3,528,727 (12%).

Town of Canton's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	838,210	680,824	3,233,990	2,839,414	4,072,200	3,520,238
Operating grants and contributions	172,092	973,349	-	-	172,092	973,349
Capital grants and contributions	275,757	305,306	501,951	58,440	777,708	363,746
General revenues:						
Property taxes	3,851,128	3,763,942	-	-	3,851,128	3,763,942
Other taxes and licenses	3,085	3,165	-	-	3,085	3,165
Grants and contributions not restricted	3,358,180	2,855,457	-	-	3,358,180	2,855,457
Investment earnings	528,246	121,613	180,858	42,796	709,104	164,409
Other	413,463	372,971	14,849	7,013	428,312	379,984
Total revenues	9,440,161	9,076,627	3,931,648	2,947,663	13,371,809	12,024,290
Expenses:						
General government	1,418,239	1,241,515	-	-	1,418,239	1,241,515
Public safety	2,997,308	3,071,238	-	-	2,997,308	3,071,238
Public works	1,579,723	1,475,527	-	-	1,579,723	1,475,527
Environmental protection	263,290	244,407	-	-	263,290	244,407
Cultural and recreation	861,981	749,312	-	-	861,981	749,312
Interest expense	58,132	26,397	-	-	58,132	26,397
Water and sewer	-	-	2,612,254	2,644,303	2,612,254	2,644,303
Total expenses	7,178,673	6,808,396	2,612,254	2,644,303	9,790,927	9,452,699
Change in net position before transfers and extraordinary	2,261,488	2,268,231	1,319,394	303,360	3,580,882	2,571,591
Extraordinary items	4,275,285	3,239,977	(11,417)	1,019,250	4,263,868	4,259,227
Change in net position	6,536,773	5,508,208	1,307,977	1,322,610	7,844,750	6,830,818
Net position, July 1	8,878,054	3,369,846	12,958,889	11,636,279	21,836,943	15,006,125
Net position, June 30	15,414,827	8,878,054	14,266,866	12,958,889	29,681,693	21,836,943

Governmental activities. Governmental activities increased the Town's net position by \$6,536,773 thereby accounting for 83% of the total growth in the net position of the Town of Canton.

Business-type activities: Business-type activities increased the Town of Canton's net position by \$1,307,977 accounting for 17% of the total growth in the government's net position.

Financial Analysis of the Town's Funds

As noted earlier, the Town of Canton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town of Canton's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Canton's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Canton. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,470,813, while total fund balance was \$11,639,391. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The Town currently has unassigned fund balance of 111% of general fund expenditures, while total fund balance represents 80% of that same amount.

At June 30, 2024, the general fund reported a combined fund balance of \$11,639,391, a 185% increase from prior years' balance.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Proprietary Funds. The Town of Canton's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,829,474. The total increase in net position for the Water and Sewer Fund was \$1,307,977. The Water and Sewer Fund increase was due to capital contributions and investment income increases.

Capital Asset and Debt Administration

Capital assets. The Town of Canton's investment in capital assets for its governmental and business-type activities as of June 30, 2024 totals \$28,256,930 (net of accumulated depreciation). These assets include construction in progress, buildings, roads, land, machinery and equipment, park facilities, and vehicles.

The major capital asset additions were related to the purchase of a new fire truck and construction for Chestnut Mountain and a new splash pad. The significant disposals were related to building and equipment permanently damaged by the flood in August 2021.

Town of Canton's Changes in Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	997,374	4,664,440	284,666	284,666	1,282,040	4,949,106
Buildings & systems	7,715,556	7,879,555	11,319,861	11,583,356	19,035,417	19,462,911
Machinery & equipment	610,335	520,575	-	-	610,335	520,575
Vehicles/motorized eq.	1,791,775	1,779,279	81,649	29,894	1,873,424	1,809,173
Right of use assets	79,620	43,179	111,170	23,256	190,790	66,435
Construction in progress	4,664,440	281,125	600,484	98,533	5,264,924	379,658
	15,859,100	15,168,153	12,397,830	12,019,705	28,256,930	27,187,858

Additional information on the Town's capital assets can be found in the Notes to the Basic Financial Statements.

Long-term Liabilities. As of June 30, 2024, the Town of Canton had no bonded debt outstanding. The Town's long-term debt consists of capital leases and direct borrowings.

Town of Canton's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Direct borrowings	1,213,077	1,403,744	1,849,510	2,127,245	3,062,587	3,530,989
OPEB liability	8,081,563	8,381,516	1,774,002	1,966,035	9,855,565	10,347,551
Net pension obligation	2,085,931	1,689,365	588,339	396,271	2,674,270	2,085,636
Total pension liability (LEO)	329,345	279,911	-	-	329,345	279,911
Lease Liability	81,523	47,694	110,928	25,590	192,451	73,284
Compensated absences	355,628	317,917	84,419	66,874	440,047	384,791
	12,147,067	12,120,147	4,407,198	4,582,015	16,554,265	16,702,162

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Canton is \$40,358,256.

Additional information regarding the Town of Canton's long-term debt can be found in the Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the stability of the Town of Canton:

- Population growth
- New businesses
- Ad valorem tax growth
- Increased property values
- Home sales

Budget Highlights for the Fiscal Year Ending June 30, 2025

Governmental Activities:

- The proposed tax rate for the Town of Canton stayed the same at \$0.54 per \$100 of valuation. The County re-evaluation has been postponed due to Hurricane Helene.
- The Town expects to see a continued increase in property valuations because of extreme housing shortage to the East driving growth to our area and new owners which have made substantial improvements to buildings and property, as well as a steady level of growth in residential sales and increased market price.
- For the fiscal year 2024–2025, regarding salaries, the Board of Aldermen/women authorized a 2% cost of living increase. The Town is matching up to 3% on 401K contributions as well, which is the same as the last fiscal year. The Board and staff continue to work to remain competitive in the hiring and retention of employees.
- Aetna will be the insurance provider for health insurance with the same insurance benefits as the previous year. For FY 2024-2025, the Town did incur a small increase for these benefits, but it remains fiscally responsible.

Business Activities:

- The Town increased water and sewer rates to reflect the recommendations that came from the Feasibility Study looking at options for future wastewater treatment construction and operation as well as to compensate for the increase cost of drinking water production.

- The Town of Canton will continue to move through Storm Recovery from Tropical Storm Fred and Hurricane Helene which impacted most of the Town's core facilities including, Town Hall, Police, Fire, Museum, Colonial, Armory, Camp Hope, Recreation Park, Chestnut Mountain etc. In addition to rebuilding, we will be working to mitigate future impacts on Town facilities and infrastructure. The Town has received multiple Golden Leaf grants to cover the unmet need for infrastructure projects in the Rhoda/Meadowbrook corridor which will be complete in early 2025 as well as the Charles Street Culvert Project funded by the NC unmet need funding. These same areas were impacted by Hurricane Helene but the mitigation measures that were implemented performed well and the projects were able to be continued and are near completion.
- The Mayor and Board implemented a Municipal Vehicle Tax along with Powell Bill funding to repair and implement paving and patching to our roadways.
- The Town will continue to seek enhanced mitigation efforts and or relocation options for all town properties moving forward to make sure that we continue to be fiscally responsible with all Town assets planning for the future.

Other activities that are underway are as follows:

- The Town partnered with many organizations to fundraise and rebuild our flood-affected playground with an All-Abilities Playground. With the current damage from Helene this will become a FEMA project and will be a priority project to get opened for the community this year.
- The Town received a Rural Transformation Grant in the amount of \$390,000 to renovate the old A&P building adjacent to Sorrell St. to provide an indoor/outdoor market and event space. This project has been solicited for design, however, will now be delayed due to Hurricane Helene.
- We have partnered with the Cruso Endowment to make aesthetic improvements to the downtown through additional decorative street signs.
- We will be undertaking significant improvements to our water treatment plant, water intake, as well as water and wastewater infrastructure throughout the Town. These projects have been awarded and the construction phase has been started.
- The Town continues to work to develop the Recreation Masterplan, Comprehensive Plan, Capital Improvement Plan, Pigeon River Corridor Study, and Stormwater Plan through the CDBG grant funding.
- The Town was awarded and will begin the Stormwater Improvements on Park Street, Spring Street, and the Intersection of North Main, Bridge, and Champion Drive through an EDA grant.
- The Town continues to work on solutions for the future treatment of wastewater.

- The Town has contracted and will begin the construction phase for Town Hall and the Police Department in the 2024-2025 budget year with a potential for move in during this budget year.
- The Town continues to look for property to purchase for a future Fire Department.
- The Town will rebuild the Champion Credit Union Aquatics facility, Dog Park, and recreation ball field after the devastation of Hurricane Helene.
- Chestnut Mountain Nature Park trails have mainly been completed and open to the public, however, the damage from Helene will require major repairs to both bridges allowing ingress and egress.
- Administration tirelessly works with partnerships providing grants and other funding opportunities to implement long term goals that will help this municipality be prosperous in a sustainable manner.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Canton, PO Box 987, Canton, NC 28716.

BASIC FINANCIAL STATEMENTS

Town of Canton, North Carolina
Statement of Net Position
June 30, 2024

Exhibit 1

	Primary Government			Town of Canton ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 15,415,625	\$ 4,463,743	\$ 19,879,368	\$ 176,963
Accrued interest receivables on taxes	15,541	-	15,541	-
Taxes receivables (net)	30,745	-	30,745	-
Accounts receivable (net)	267,228	328,596	595,824	-
Lease receivable, current	24,604	6,487	31,091	-
Due from other governments	944,204	612,417	1,556,621	6,900
Inventories	17,503	-	17,503	207,471
Prepaid expenses	-	-	-	7,156
Restricted cash and cash equivalents	182,869	6,335	189,204	-
Total current assets	<u>16,898,319</u>	<u>5,417,578</u>	<u>22,315,897</u>	<u>398,490</u>
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements, and construction in process	5,661,814	845,057	6,506,871	-
Other capital assets, net of depreciation	10,117,666	11,441,603	21,559,269	273,138
Right of use assets, net of amortization	79,620	111,170	190,790	-
Total capital assets	<u>15,859,100</u>	<u>12,397,830</u>	<u>28,256,930</u>	<u>273,138</u>
Total assets	<u>32,757,419</u>	<u>17,815,408</u>	<u>50,572,827</u>	<u>671,628</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	1,344,110	348,717	1,692,827	67,834
OPEB deferrals	992,123	217,783	1,209,906	-
Total deferred outflows of resources	<u>2,336,233</u>	<u>566,500</u>	<u>2,902,733</u>	<u>67,834</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	102,275	27,250	129,525	116,289
Accrued interest payable	-	8,643	8,643	-
Unearned revenue	3,910,731	6,335	3,917,066	-
Payable from restricted assets	19,465	-	19,465	-
Due to/from other funds	869,003	(869,003)	-	-
Current portion of long term liabilities	377,575	368,476	746,051	-
Total current liabilities	<u>5,279,049</u>	<u>(458,299)</u>	<u>4,820,750</u>	<u>116,289</u>
Long-term liabilities:				
Due in more than one year	<u>11,769,492</u>	<u>4,038,722</u>	<u>15,808,214</u>	<u>79,610</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	167,722	4,392	172,114	191
OPEB deferrals	2,386,532	523,874	2,910,406	-
Leases	24,092	6,353	30,445	-
Public Safety	43,975	-	43,975	-
Prepaid Taxes	7,963	-	7,963	-
Total deferred inflows of resources	<u>2,630,284</u>	<u>534,619</u>	<u>3,164,903</u>	<u>191</u>
NET POSITION				
Net investment in capital assets	14,564,499	10,437,392	25,001,891	273,138
Restricted for:				
Stabilization by state statue	962,643	-	962,643	-
Transportation	163,404	-	163,404	-
Public safety	25,028	-	25,028	-
ABC Board - working capital	-	-	-	71,149
Unrestricted	<u>(300,747)</u>	<u>3,829,474</u>	<u>3,528,727</u>	<u>199,085</u>
Total net position	<u>\$ 15,414,827</u>	<u>\$ 14,266,866</u>	<u>\$ 29,681,693</u>	<u>\$ 543,372</u>

See independent auditor's report and accompanying notes.

Town of Canton, North Carolina
Statement of Activities
For the Year Ended June 30, 2024

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Primary Government		Town of Canton ABC Board
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,418,239	\$ 82,453	\$ -	\$ -	\$ (1,335,786)	\$ -	\$ (1,335,786)
Public safety	2,997,308	341,422	6,562	-	(2,649,324)	-	(2,649,324)
Public works	1,579,723	2,100	165,530	-	(1,412,093)	-	(1,412,093)
Environmental protection	263,290	281,316	-	-	18,026	-	18,026
Cultural and recreation	861,981	130,919	-	275,757	(455,305)	-	(455,305)
Interest on long-term debt	58,132	-	-	-	(58,132)	-	(58,132)
Total governmental activities	7,178,673	838,210	172,092	275,757	(5,892,614)	-	(5,892,614)
Business-type activities:							
Water and sewer	2,568,874	3,233,990	-	501,951	-	1,167,067	1,167,067
Interest on long-term debt	43,380	-	-	-	-	(43,380)	(43,380)
Total business-type activities	2,612,254	3,233,990	-	501,951	-	1,123,687	1,123,687
Total primary government	9,790,927	4,072,200	172,092	777,708	(5,892,614)	1,123,687	(4,768,927)
Component units:							
Canton ABC Board	2,394,698	2,402,270	-	-	-	-	7,572
Total component unit	2,394,698	2,402,270	-	-	-	-	7,572
General revenues:							
Taxes:							
Property taxes, levied for general purpose					3,851,128	-	3,851,128
Other taxes and licenses					3,085	-	3,085
Grants and contributions not restricted to specific programs					3,358,180	-	3,358,180
Unrestricted investment earnings					528,246	180,858	709,104
Gain (loss) on sale of asset					-	-	-
Miscellaneous					413,463	14,849	428,312
Total general revenues and transfers					8,154,102	195,707	8,349,809
Change in net position before extraordinary items					2,261,488	1,319,394	3,580,882
Extraordinary Items: Grant reimbursements for flood damages					5,237,756	8,225	5,245,981
Extraordinary Item: Flood damages loss					(962,471)	(19,642)	(982,113)
Change in net position					6,536,773	1,307,977	7,844,750
Net position-beginning					8,878,054	12,958,889	21,836,943
Net position-ending					\$ 15,414,827	\$ 14,266,866	\$ 29,681,693
							\$ 543,372

See independent auditor's report and accompanying notes.

Town of Canton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2024

Exhibit 3

	Major Fund <u>General Fund</u>	Non-Major Fund <u>Opioid Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 15,415,625	\$ -	15,415,625
Restricted cash	182,869	-	182,869
Receivables, net:			
Taxes	46,286	-	46,286
Accounts	223,253	43,975	267,228
Due from other governments	738,878	-	738,878
Right of use rent receivable	24,604	-	24,604
Inventories	17,503	-	17,503
Total assets	<u>\$ 16,649,018</u>	<u>\$ 43,975</u>	<u>\$ 16,692,993</u>
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued liabilities	52,667	-	52,667
Salaries payable	49,608	-	49,608
Unearned revenue	3,910,731	-	3,910,731
Customer prepayments	19,465	-	19,465
Due to other funds	898,815	(29,812)	869,003
Total liabilities	<u>4,931,286</u>	<u>(29,812)</u>	<u>4,901,474</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	46,286	-	46,286
Right of use lease receivable	24,092	-	24,092
Opioid receivable	-	43,975	43,975
Prepaid taxes	7,963	-	7,963
Total deferred inflows of resources	<u>78,341</u>	<u>43,975</u>	<u>122,316</u>
FUND BALANCES			
Non Spendable			
Inventories	17,503	-	17,503
Restricted:			
Stabilization by state statute	962,643	-	962,643
Public safety	25,028	-	25,028
Transportation	163,404	-	163,404
Assigned: Subsequent year's expenditures	-	-	-
Unassigned	10,470,813	29,812	10,500,625
Total fund balances	<u>11,639,391</u>	<u>29,812</u>	<u>11,669,203</u>
Total liabilities, deferred inflow of resources fund balances	<u>\$ 16,649,018</u>	<u>\$ 43,975</u>	<u>\$ 16,692,993</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	11,669,203
Capital assets and right of use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,859,100
Deferred outflows of resources - pension and OPEB	2,336,233
Receivables not available for current period expenditures	205,326
Liabilities for earned but deferred tax revenues considered deferred inflows of resources in fund statements.	46,286
Deferred inflows of resources -pension and OPEB	(2,554,254)
Long term liabilities used in governmental activities are not financial uses and therefore not reported in the funds	<u>(12,147,067)</u>
Net position of governmental activities	<u>\$ 15,414,827</u>

See independent auditor's report and accompanying notes.

Town of Canton, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year ended June 30, 2024

Exhibit 4

	<u>Major Fund</u> <u>General Fund</u>	<u>Non-Major</u> <u>Fund</u> <u>Opioid</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
REVENUES			
Ad valorem taxes	\$ 3,847,490	\$ -	\$ 3,847,490
Other taxes and licenses	3,085	-	3,085
Unrestricted intergovernmental	2,691,173	-	2,691,173
Restricted intergovernmental	447,849	-	447,849
Sales and services	838,210	-	838,210
Investment earnings	528,246	-	528,246
Miscellaneous	785,528	20,249	805,777
Total revenues	<u>9,141,581</u>	<u>20,249</u>	<u>9,161,830</u>
EXPENDITURES			
Current:			
General government	1,344,281	-	1,344,281
Public safety	3,147,947	-	3,147,947
Public works	1,704,142	-	1,704,142
Environmental protection	263,290	-	263,290
Culture and recreation	1,598,627	-	1,598,627
Debt service:			
Principal	299,831	-	299,831
Interest	58,132	-	58,132
Total debt service	<u>357,963</u>	<u>-</u>	<u>357,963</u>
Total expenditures	<u>8,416,250</u>	<u>-</u>	<u>8,416,250</u>
Excess (deficiency) of revenues over expenditures	<u>725,331</u>	<u>20,249</u>	<u>745,580</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	-
Insurance recovery	207,711	-	207,711
Loan proceeds	143,938	-	143,938
Total other financing sources	<u>351,649</u>	<u>-</u>	<u>351,649</u>
Net change before extraordinary Items	<u>1,076,980</u>	<u>20,249</u>	<u>1,097,229</u>
EXTRAORDINARY ITEMS			
Flood damage expenses	(962,471)	-	(962,471)
FEMA/NC Emergency Management grants	699,384	-	699,384
Flood reimbursement - NC Unmet Needs State Appropriation	538,372	-	538,372
NC Economic Development Relief Grant	4,000,000	-	4,000,000
Total extraordinary items	<u>4,275,285</u>	<u>-</u>	<u>4,275,285</u>
Net change in fund balance	5,352,265	20,249	5,372,514
Fund balances-beginning of year	6,287,126	9,563	6,296,689
Fund balances-end of year	<u>\$ 11,639,391</u>	<u>\$ 29,812</u>	<u>\$ 11,669,203</u>

Town of Canton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2024

Exhibit 4 (continued)

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds	\$ 5,372,514
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation or amortization expense. This is the amount by which capital outlay and right of exceeded depreciation in the current period.	690,948
Governmental funds report proceeds from the sale of capital assets or insurance proceeds as revenues. However, in the Statement of Activities the gain or loss from the sale is recorded as revenue. This is the amount by which gains exceed revenues/	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in unavailable revenue for tax revenues	146,046
Deferred outflows of resources related to OPEB and pensions are not reported in the funds	(208,824)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	155,893
Deferred inflows of resources related to OPEB and pensions are not reported in the funds	563,955
Change in long-term debt included in net position below (includes the addition of long-term debt and principal payments during the year:	
Compensated absences	(37,712)
Net pension liability	(49,434)
Total pension liability	(396,566)
OPEB liability	299,953
Total changes in net position of governmental activities	<u>\$ 6,536,773</u>

See independent auditor's report and accompanying notes.

Town of Canton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2024

Exhibit 5

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Ad valorem taxes	\$ 3,594,000	\$ 3,613,425	\$ 3,847,490	\$ 234,065
Other taxes and licenses	3,000	4,300	3,085	(1,215)
Unrestricted intergovernmental	2,950,400	2,380,400	2,691,173	310,773
Restricted intergovernmental	382,400	434,979	447,849	12,870
Sales and services	678,250	757,690	838,210	80,520
Investment earnings	50,600	416,810	528,246	111,436
Miscellaneous	292,390	1,467,476	785,528	(681,948)
Total revenues	<u>7,951,040</u>	<u>9,075,080</u>	<u>9,141,581</u>	<u>66,501</u>
Expenditures:				
Current:				
General government	2,097,514	1,412,982	1,344,281	68,701
Public safety	3,334,213	3,422,748	3,147,947	274,801
Public works	1,821,254	1,825,682	1,704,142	121,540
Environmental protection	272,000	302,000	263,290	38,710
Cultural and recreation	1,018,327	2,027,229	1,598,627	428,602
Debt service:				
Principal			299,831	
Interest			58,132	
Total debt service	<u>64,732</u>	<u>365,766</u>	<u>357,963</u>	<u>7,803</u>
Total expenditures	<u>8,608,040</u>	<u>9,356,407</u>	<u>8,416,250</u>	<u>940,157</u>
Revenues over expenditures	<u>(657,000)</u>	<u>(281,327)</u>	<u>725,331</u>	<u>1,006,658</u>
Other Financing Sources (uses)				
Sale of capital assets	-	-	-	
Insurance recovery			207,711	
Loan proceeds			143,938	
Total other financing sources	<u>-</u>	<u>(332,273)</u>	<u>351,649</u>	<u>683,922</u>
Fund balance appropriated	<u>657,000</u>	<u>812,000</u>	<u>-</u>	<u>(812,000)</u>
Net change before extraordinary items	-	198,400	1,076,980	878,580
Extraordinary items				
Flood damage expenses		(1,217,111)	(962,471)	
Flood reimbursement grants		1,018,711	5,237,756	
Total extraordinary items	-	<u>(198,400)</u>	<u>4,275,285</u>	<u>4,473,685</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>5,352,265</u>	<u>\$ 5,352,265</u>
Fund balance, beginning			<u>6,287,126</u>	
Fund balances, end of year			<u>11,639,391</u>	
Opioid Fund is included in the General Fund for reporting purposes				
Opioid Fund fund balance			<u>29,812</u>	
Combined fund balance, end of year			<u>\$ 11,669,203</u>	

See independent auditor's report and accompanying notes.

Town of Canton, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2024

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,463,743
Accounts receivable (net) - billed	96,687
Accounts receivable (net) - unbilled	231,909
Right of use lease receivable	6,487
Due from other governments	612,417
Due from general fund	869,003
Restricted cash and cash equivalents	6,335
Total current assets	<u>6,286,581</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	845,057
Other capital assets, net of depreciation	11,441,603
Right of use leased assets, net of amortization	111,170
Capital assets (net)	<u>12,397,830</u>
Total assets	<u><u>18,684,411</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	348,717
OPEB deferrals	217,783
Total deferred outflows of resources	<u>566,500</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	14,730
Salaries payable	12,520
Accrued interest payable	8,643
Current portion of long-term liabilities	368,476
Liabilities payable from restricted assets:	
Customer deposits	6,335
Total current liabilities	<u>410,704</u>
Noncurrent liabilities:	
Due in more than one year	4,038,722
Total liabilities	<u>4,449,426</u>
DEFERRED INFLOWS OF RESOURCES	
Right of use lease	6,353
Pension deferrals	4,392
OPEB deferrals	523,874
Total deferred inflows of resources	<u>534,619</u>
NET POSITION	
Net investment in capital assets	10,437,392
Unrestricted	3,829,474
Total net position	<u><u>\$ 14,266,866</u></u>

See independent auditor's report and accompanying notes.

Town of Canton, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2024

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 3,109,134
Tap and reconnection fees	124,175
Other operating revenues	681
Total operating revenues	<u>3,233,990</u>
OPERATING EXPENSES	
Administration	261,256
Treatment and distribution	1,853,250
Depreciation and amortization	454,368
Total operating expenses	<u>2,568,874</u>
Operating income (loss)	<u>665,116</u>
NONOPERATING REVENUES (EXPENSES)	
Sale of materials and equipment	14,849
Investment earnings	180,858
Interest and other charges	(43,380)
Total nonoperating revenue (expenses)	<u>152,327</u>
Change in net position before contributions and extraordinary items:	<u>817,443</u>
Contributions and Extraordinary Items:	
Capital contributions	501,951
Flood damage expenses	(19,642)
FEMA/NC Emergency Management grants	8,225
Total extraordinary items	<u>490,534</u>
Change in net position	1,307,977
Total net position - beginning	12,958,889
Total net position - ending	<u><u>\$ 14,266,866</u></u>

See independent auditor's report and accompanying notes.

Exhibit 8

**Town of Canton, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2024**

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,837,886
Cash paid for goods and services	(989,513)
Cash paid to or on behalf of employees for services	(1,116,619)
Net cash provided by operations	<u>731,754</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	501,951
Acquisition and construction of capital assets	(693,374)
Loan proceeds	-
Principal paid on installment purchase and lease liabilities	(330,158)
Interest paid on installment purchase and lease liabilities	(41,307)
Net cash used by capital and related financing activities	<u>(562,888)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	180,858
Purchase of investments	-
Net cash provided by investing activities	<u>180,858</u>
Net increase (decrease) in cash and cash equivalents	349,724
Balances-beginning of the year	4,120,354
Balances-end of the year	<u>\$ 4,470,078</u>
Reconciliation of operating income to net cash provided by operating	
Operating income (loss)	\$ 665,116
Adjustments to reconcile operating income to net cash provided by	
Depreciation	-
Amortization	51,336
Changes in assets, deferred outflows of resources and liabilities:	403,032
Decrease (increase) in accounts receivable	(47,027)
Decrease (increase) in due from other government	(349,077)
Decrease (increase) in due from other funds	150,247
Decrease (increase) in deferred outflows of resources	(14,440)
Increase (decrease) in deferred inflow of resources	(125,751)
Increase (decrease) in accounts payable and	
accrued liabilities	(19,262)
Increase (decrease) in pension liabilities	192,068
Increase (decrease) in accrued compensated absences	17,545
Increase (decrease) in other postemployment benefits	(192,033)
Total adjustments	<u>66,638</u>
Net cash provided by operating activities	<u>\$ 731,754</u>

See independent auditor's report and accompanying notes.

Exhibit 9

**Town of Canton, North Carolina
Statement of Fiduciary Net Position
Employee Support Group Fund - Fiduciary Fund
For the Year Ended June 30, 2024**

	<u>Custodial Fund</u>
Assets:	
Cash and cash equivalents	<u>\$ 12,332</u>
Net Position:	
Restricted for:	
Individuals	<u>\$ 12,332</u>

See independent auditor's report and accompanying notes.

Exhibit 10

**Town of Canton, North Carolina
Statement of Changes in Fiduciary Net Position
Employee Support Group Fund - Fiduciary Fund
For the Year Ended June 30, 2024**

	<u>Custodial Fund</u>
Additions:	
Contributions	\$ 1,225
Deductions	
Benefit payments	<u>100</u>
Net increase in fiduciary net position	1,125
Net position - beginning	<u>11,207</u>
Net position - ending	<u><u>\$ 12,332</u></u>

See independent auditor's report and accompanying notes.

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Canton, North Carolina (Town of Canton) and its discretely presented component unit conform to generally accepted accounting principles generally accepted in the United States of American as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Canton is a municipal corporation that is governed by an elected mayor and a four-member board of aldermen. As required by accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Canton ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statue to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30-year end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Canton ABC Board, 40 Main Street, Canton, NC 28786.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including the fiduciary fund. Separate statements for each fund category –

Governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, cultural, recreation, sanitation and other general government services.

The Town reports the following major enterprise funds:

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations. Two capital project funds, **Sewer Improvements and WWTP Preliminary Engineering Capital Project** and **Water Treatment Plant Renovations and Water System Improvements Capital Project**, have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparisons for the capital project funds have been included in the Combining and Individual Fund Statements and Schedules section of this report.

The Town reports the following fund types:

Custodial Fund – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the Town hold on behalf of others that meet certain criteria. The Town maintains the Employee Support Group Fund, which accounts for monies held to be used for emergency situations of voluntarily participating employees, with payments remitted upon approval by the Employee Support Group Committee.

Non-major fund – The Town maintains a non-major fund for the Opioid settlement fund, a special revenue fund.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic

resources measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operating. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customer to the water and sewer system. Operating expense for enterprise funds includes the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. The issuance of lease liability under financed leases are reported as other financing sources and the right of use assets acquired as capital outlay.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Haywood County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs and then by general revenues, if allowable by the terms of the grant.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Water and Sewer Enterprise Funds. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for capital projects funds. The enterprise fund projects are consolidated with their respective operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Town's finance officer is authorized by the budget ordinance to transfer appropriations within a department. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Town and of the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

NCCMT, which consists of an SEC-registered mutual fund (the Government Portfolio), is authorized by GS 159-30(c)(8). The Government Portfolio, which invests in treasuries and government agencies, and collateralized repurchase agreements, is a SEC-registered (2a-7) money market mutual fund, maintains a AAAM rating from S&P and AAmf by Moody's Investor Service, and is measured at fair value.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Unexpended grant proceeds earned are classified as restricted assets because their use is restricted to the purpose for which the grants were awarded. Customer deposits and prepayments by customers held by the Town before any services are supplied are restricted to the service for which the deposit or monies was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Town of Canton Restricted Cash

Governmental Activities

General Fund	Streets	\$	163,404
	Public Works		19,465
Total Governmental Activities			<u>182,869</u>

Business-type Activities

Water and Sewer Fund	Customer Deposits		6,335
Total Restricted Cash		\$	<u>189,204</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2024.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Lease Receivable

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Town receives consistent monthly lease payments.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. Inventory and Prepaid

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market.

The Town's General Fund inventory consists of gasoline and fuel supplies that are recorded as expenditures as used rather than when purchased. The inventories of the Town ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as items are used.

8. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets, are reported at cost or estimated historical costs. No amounts have been recorded for general infrastructure assets acquired prior to July 1, 2003. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. Infrastructure assets acquired subsequent to that date are recorded at cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The Town's capital assets also include a right to use lease. The right to use assets arise in association with agreements where the Town reports a lease (only applies when the Town is the lessee) or agreements where the Town reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary

charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term. Subscription payments, as well as payments for the capitalizable implementation costs made before the start of the subscription term should be reported as prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term. The Town does not currently have any IT subscription assets under the requirements of GASB 96.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	40 -65
Plant and distribution system	50 - 65
Vehicles and motorized equipment	3 - 15
Equipment	6 – 10

Property, plant and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows: Building and improvements over ten to forty years, computers and other equipment over five to ten years.

9. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has pension and OPEB deferrals for the 2024 fiscal year, which meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meets the criterion for this category – prepaid taxes, property taxes receivable and pension and OPEB deferrals.

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type

statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty-five days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulation at the time of retirement may be used in the determination of length of service for retirement benefit purposes.

If an employee retires from the Town of Canton with at least 30 years of service and meets the requirements for retirement under the State Retirement System, they are eligible for a one-time longevity payment to be paid with their final paycheck. Longevity pay at retirement is calculated considering actual time worked and compensated absences paid during a retiree's years of service with the Town and creditable service hours (using the definition of creditable service hours used by the NC Retirement System). Creditable service hours considered for longevity pay at retirement is limited to twenty percent of outstanding sick leave, or a maximum of 320 hours. The Town has recognized a liability based on the longevity accumulated at June 30, 2024, limited to the maximum amount allowed by the policy.

The ABC Board has adopted the policy that if employees do not use all their vacation leave before year end, they will be unable to carry over unused hours without Board approval. For the year ended June 30, 2024, no such approval was given; therefore, no accrual has been made.

12. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted; and unrestricted. Restricted net position

represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of governments from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. **Restricted by State statute (RSS)**, is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

Restricted for Transportation (Streets) - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Public Safety (Police) – portion of fund balance that is restricted by revenue source for law enforcement use.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Canton's Board of Aldermen

(highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance – portion of fund balance that the Town intends to use for specific purposes

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Canton does not have a formal revenue spending policy. However, it is management's practice to use resources in the following hierarchy: federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are typically spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

The Town of Canton has not adopted a minimum fund balance policy. However, the Town's management monitors fund balance levels and strives to maintain fund balance at a level that is appropriate for its size.

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government Employee's Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Canton's employer contributions are recognized when due and the Town of Canton has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions/deductions from the FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. Detail Notes on All Funds

A. Assets

1. Deposits and Investments

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal

depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and the ABC Board have no formal policy regarding custodial credit risk for deposits, but they rely on the State Treasurer to enforce standards of minimum compliance for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2024, the Town's deposits had a carrying amount of \$20,067,022 and a bank balance of \$20,296,898. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$20,046,898 was covered by collateral held under the pooling method. At June 30, 2024, the Town's petty cash fund totaled \$1,550. The bank balance includes \$6,659,998 invested with the North Carolina Capital Management Trust's Government Portfolio, a SEC-registered money market mutual fund that is certified by the Local Government Commission under the provisions of G.S. 159-30(c)(8) and the North Carolina Administrative Code. The Government Portfolio is a 2a7 fund that invests in treasuries, government agencies, and repurchase agreements collateralized by treasuries. It is rating AAAm by Standard and Poor's and AAAMf by Moody's Investor Services and reported at fair value. The Town has no policy regarding credit risk.

At year end, the Canton ABC Board's deposits had a carrying amount of \$174,630 and a bank balance of \$247,836. Of the bank balance, \$250,000 was covered by federal depository insurance and is collateralized by the pooling method for amounts that exceed FDIC coverage. The store also had cash on hand at June 30, 2024 of \$2,333.

2. Lease Receivable

In January 2023, the Town entered into two leases with a local bank. Under the lease, the bank pays the Town \$3,020 per month for twenty-four months for commercial rental space and \$1,466 per month for twenty-four months for a separate commercial rental space for the bank to operate its business. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3%, which is the implicit rate.

In fiscal year 2024, the Town recognized \$35,040 of lease revenue and \$1,200 of interest revenue under the \$3,020 monthly lease and \$17,018 of lease revenue and \$583 of interest revenue under the \$1,466 monthly lease.

3. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes interest levied and outstanding in the amount of \$15,541. The accounts receivable amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2024 is net of the following allowances for doubtful accounts:

Fund	Allowance
General fund:	
Property taxes receivable	\$ 46,286
Water and sewer enterprise fund:	
Utility accounts receivable	328,596
Total	\$ 374,882

4. Capital Assets

Capital Asset Activity for the Primary Government for the year ended June 30, 2024 was as follows:

	Beginning Balances	Additions	Retirement	Ending Balances
Governmental Activities				
Capital assets not being depreciated:				
Construction in progress	\$ 281,125	\$ 716,249	\$ -	\$ 997,374
Land	4,664,440	-	-	4,664,440
Total capital assets not being Depreciated	4,945,565	716,249	-	5,661,814
Capital assets being depreciated:				
Buildings	6,894,018	-	-	6,894,018
Infrastructure	3,604,680	135,206	-	3,739,886
Equipment	1,255,015	191,876	-	1,446,891
Vehicles and motorized Equipment	3,146,413	112,438	-	3,258,851
Total capital assets being depreciated	14,900,126	439,520	-	15,339,646
Less accumulated depreciation for:				
Buildings	2,002,860	149,094	-	2,151,954
Infrastructure	616,283	150,111	-	766,394
Equipment	734,440	102,116	-	836,556
Vehicles and motorized Equipment	1,367,134	99,942	-	1,467,076
Total accumulated depreciation	4,720,717	501,263	-	5,221,980
Total capital assets being depreciated, net	10,179,409			10,117,666

	Beginning Balances	Additions	Retirements	Ending Balances
Governmental Activities (cont):				
Capital assets being amortized:				
Right to use assets:				
Leased equipment	124,104	86,523	32,340	178,287
Less accumulated amortization	80,925	50,082	32,340	98,667
	<u>43,179</u>	<u>36,441</u>	<u>-</u>	<u>79,620</u>
Governmental activities capital assets, net	\$ 15,168,153			\$ 15,859,100

Depreciation expense was charged to functions and programs of the primary government as follows:

General government	\$ 103,342
Public safety	250,039
Public Works	66,741
Environmental protection	-
Cultural and recreational	<u>139,287</u>
Total depreciation expense	\$ 559,409

	Beginning Balances	Additions	Retirements	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 284,666	\$ -	\$ -	\$ 284,666
Construction in progress	<u>98,533</u>	<u>501,951</u>	<u>40,093</u>	<u>560,391</u>
Total capital assets not being Depreciated	<u>383,199</u>	<u>501,951</u>	<u>40,093</u>	<u>845,057</u>
Capital assets being depreciated:				
Plant and distribution systems	16,578,748	128,050	-	16,706,798
Building	1,019,250	-	-	1,019,250
Vehicles and motorized equipment	<u>286,477</u>	<u>63,242</u>	<u>-</u>	<u>349,719</u>
Total capital assets being Depreciated	<u>17,884,475</u>	<u>191,292</u>	<u>-</u>	<u>18,075,767</u>
Less accumulated depreciation for:				
Plant and distribution systems	6,002,961	366,061	-	6,369,025
Building	11,681	25,481	-	37,162
Vehicles and motorized equipment	<u>256,583</u>	<u>11,490</u>	<u>-</u>	<u>268,070</u>
Total accumulated depreciation	<u>6,271,225</u>	<u>403,032</u>	<u>-</u>	<u>6,674,257</u>
Capital assets being depreciated, net	<u>11,613,250</u>			<u>11,401,510</u>
Capital assets being amortized:				
Right to use assets:				
Leased equipment	132,192	139,250	98,297	173,145
Less accumulated amortization	<u>108,936</u>	<u>51,336</u>	<u>98,297</u>	<u>61,975</u>
	<u>23,256</u>	<u>87,914</u>	<u>-</u>	<u>111,170</u>
Business-type activities capital assets, net	\$ 12,019,705			\$ 12,397,830

Discretely Presented Component Unit:

Capital Asset Activity for the ABC Board for the year ended June 30, 2024, was as follows:

	Beginning Balances	Additions	Retirement	Ending Balances
Capital assets not being depreciated:				
Land	\$ 128,079	\$ -	\$ -	\$ 128,079
Total capital assets not being Depreciated	128,079	-	-	128,079
Capital assets being depreciated:				
Buildings	264,222	-	-	264,222
Furniture and equipment	75,626	-	783	74,843
Computers	6,896	8,888	-	15,784
Total capital assets being depreciated	346,744	8,888	783	354,849
Less accumulated depreciation for:				
Buildings	132,451	10,551	-	143,002
Furniture and equipment	59,347	4,059	783	62,623
Computers	3,081	1,084	-	4,165
Total accumulated depreciation	194,879	15,694	783	209,790
Capital assets being depreciated, net	151,865			145,059
Canton ABC Board capital assets, net	\$ 279,944			\$ 273,138

Construction Commitments

The Town has active construction projects as of June 30, 2024. At year-end, the governments commitments with contractors are as follows:

Project	Spent- to-date	Remaining Commitment
Recreational facilities	\$ 234,666	\$ 98,668
Public works infrastructure	-	1,318,332
Water and sewer treatment facilities	560,391	1,427,609

B. Liabilities**1. Pension Plan and Postemployment Obligations****a. Local Government Employees' Retirement System**

Plan Description. The Town of Canton and the Town of Canton ABC Board (ABC Board) are participating employers in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina to provide benefits for employees of local governments. LGERS membership is comprised of general employees and local law enforcement officers (LEOs), firefighters and rescue squad workers of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410 or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement, disability and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters and rescue squad workers). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad workers who are killed in the line of duty) or have completed 5 years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. This plan does not provide for automatic post-retirement benefits increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by North Carolina General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town and ABC Board's employees are required to contribute 6% of their annual pay. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town and ABC Board's contractually required contribution rate for the year ended June 30, 2024, was 14.04 % of covered payroll for law enforcement officers and 12.91% and 17.73%, respectively, for general employees and firefighters, actuarially determined as an amount that when combined with employee contributions, is expected to finance costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$392,123 and \$24,539 for the ABC Board for the year ended June 30, 2024.

Refunds of Contributions. Town and ABC Board employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other retirement or survivor benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2024, the Town and ABC Board reported a liability of \$2,674,270 and \$79,610, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Town and ABC Board's proportion of the net pension liability was based on a projection of the Town and ABC Board's long-term share of future payroll covered by the pension plan of participating LGERS employers, actuarially determined. At June 30, 2023 (the measurement date), the Town and ABC Board's proportion were .04038% and .005752%, respectively, which was an increase of .0341% for the Town and a decrease of .006069% for the ABC Board of the proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the Town and ABC Board recognized pension expense of \$682,608 and \$29,974. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between excepted and actual expense	\$ 297,993	\$ 6,415
Changes of assumptions	113,641	-
Net difference between projected and actual earnings on pension plan investments	715,752	-
Changes in proportion and differences between contributions and proportionate share of contributions	65,572	13,550
Town's contributions subsequent to the measurement date	392,123	-
Total	<u>\$ 1,585,081</u>	<u>\$ 19,965</u>

At June 30, 2024, the ABC Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between excepted and actual expense	\$ 8,871	\$ 191
Changes of assumptions	3,383	-
Net difference between projected and actual earnings on pension plan investments	21,307	-

Changes in proportion and differences between contributions and proportionate share of contributions	9,734	-
Town's contributions subsequent to the measurement date	24,539	-
Total	\$ 67,834	\$ 191

\$392,123 and \$24,539 to the Town and ABC Board respectively reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Town</u>	<u>ABC</u>
2025	419,938	18,325
2026	224,623	9,429
2027	498,166	14,449
2028	30,266	901
2029	-	-
	\$ 1,172,993	\$ 43,104

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including a 3.25% inflation and productivity factor
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2022 valuations were based on the results of an actuarial experience study for LGERS for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost of living adjustment (COLA) amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return

projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the forgoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class as of June 30, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Projection	6.0%	2.7%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERs. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.5%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.5%. This projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutory required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town and ABC Board's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the Town and ABC Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	4,633,068	2,674,270	1,061,604

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
ABC Boards's proportionate share of the net pension liability (asset)	137,920	79,610	31,603

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

The Town of Canton administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2022, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	15
Total	<u>16</u>

2. *Summary of Significant Accounting Policies:*

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2022 valuation. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	4.00%
Projected salary increases	3.25 – 7.75%
Inflation	2.50%

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index. All mortality rates use Pub-2010 amount-weighted tables and are projected from 2010 using generational improvement with Scale MP-2019.

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$21,733 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2024 the Town reported a total pension liability of \$329,345. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024 the Town recognized pension expense of \$19,486.

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ 35,035	\$ 113,138
Changes of assumptions	49,316	39,011
Benefit payments and administrative expenses subsequent to the measurement date	<u>23,395</u>	<u>-</u>
Total	\$ 107,746	\$ 152,149

\$23,395 paid as benefits came due subsequent to the measurement date have been reported as deferred outflow of resources. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2025	\$ (6,159)
2026	(10,504)
2027	(20,432)
2028	(26,737)
2029	(6,520)
Thereafter	2,554

Sensitivity of the Town's total pension liability to changes in the discount rate. The following represents the Town's total pension liability calculated using the discount rate of 4.00%, as well as what the Town's total pension liability would be if it were calculated using a Discount Rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease <u>(3.00%)</u>	Discount Rate <u>(4.00%)</u>	1% Increase <u>(5.00%)</u>
Total pension liability	\$359,118	\$329,345	\$302,805

The plan currently used mortality tables that vary by age and health status (disabled and healthy). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study completed for LGERS for the five-year period ending December 31, 2019.

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

Beginning balance	\$279,911
Service cost	22,457
Interest	11,591
Change in benefit terms	-
Difference between expected and actuarial experience in the measurement of the total pension liability	29,489
Changes in assumptions and other inputs	7,847
Benefit payments	(21,950)
Other changes	-
Ending balance of the total pension liability	\$329,345

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). All mortality rates use Pub-2010 amount-weighted tables and are projected from 2010 using generational improvement with Scale MP-2019.

**Total Expense, Liabilities, and Deferred Outflows and Inflows of
Resources of Related to Pensions**

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	682,608	25,708	708,316
Pension Liability	2,674,270	329,345	3,003,615
Proportionate share of the net pension liability	.04038%	n/a	

Deferred of Outflows of Resources	LGERS	LEOSSA	Total
Differences between expected and actual experience	297,993	35,035	333,028
Change of Assumptions	113,641	49,316	162,957
Net difference between projected and actual earnings on plan investments	715,752	-	715,752
Changes in proportion and differences between contributions and proportionate share of contributions	65,572	-	65,572
Benefit payments and administrative cost paid subsequent to the measurement date	392,123	23,395	415,518
Deferred in Inflows of Resources			
Differences between expected and actual experience	6,415	113,138	119,553
Change of assumptions	-	39,011	39,011
Net difference between projected and actual earnings on plan investments	-	-	-
Change in proportion and differences between contributions and proportionate share of contributions	13,550	-	13,550

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Sections 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town contributed \$13,966. No amounts were forfeited.

The Town offers full and part time employees the ability to contribute to also contribute to the Plan, up to the annual statutory limits prescribed by the Internal Revenue Service (IRS). Employee contributions are voluntary and the Town can choose to match general employees 401(k) contributions if budgeted by the Board, up to annual statutory limits. However, the Town's match of 401(k) funds for general employees is not a guaranteed benefit since the Board can elect whether to match funds on an annual basis. During the year ended June 30, 2024, the Board budgeted and paid \$42,923 for 401(k) employer contributions for participating employees, based on a 3% match for employee contributions.

d. Firemen's and Rescue Squad Worker's Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Canton, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Officer of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefits are \$170 per month. Plan members are eligible to receive the monthly benefits at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town is not required to participate but contributes \$30 per month per member to the Fund. Contribution provisions are established by General Statute 58-86 and may be amended by the North Carolina General Assembly. For the fiscal year ending June 30, 2024 the State contributed

\$19,702,208 to the plan. The Town considers their proportionate share of the State's contributions to be immaterial.

Refunds of Contributions. Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

e. Other Post-Employment Benefit Obligations
Healthcare Benefits

Plan Description: The Town administers a single-employer defined benefit healthcare plan. The Town Board has the authority to establish and amend the benefits terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement 75.

Benefits Provided: An employee who began service prior to July 1, 2011 and retires according to the Town of Canton Employees' Retirement Plan (ERP) requirements, with at least 15 year permanent active Town employment will receive health care insurance, dental insurance, and life insurance paid by the Town, for said employee for the remainder of his or her lifetime and for his or her spouse until spouse reaches age 70; and should an employee retire on disability with at least five years permanent active Town employment, health care and dental insurance will be provided by the Town for said employee for the remainder of his or her lifetime and for his or her dependents until age 19 or until age 25 if a full-time student, and for his or her spouse until age of 70. Retirees and spouses reaching age 65, or otherwise eligible for Medicare, are transferred to a Medicare supplement plan. This benefit was established by Town ordinance. A separate report was not issued for this plan.

An employee who began service after July 1, 2012 and retires according to the Town of Canton ERP requirements, with at least 20 years permanent active Town employment will receive health care insurance, dental insurance, and life insurance paid by the Town, for said employee for the remainder of his or her lifetime. Should an employee retire on disability with at least five years permanent active Town employment, health care, dental care, and life insurance will be provided by the Town for said employee for the remainder of his or her lifetime.

Membership of the ERP consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	46
Inactive members entitled but not yet receiving benefits	-
Active employees	62
Total	108

Total OPEB Liability

The Town's total OPEB liability of \$9,855,565 was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2023.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	.75%
Wage inflation	3.25%
Salary increases	
General employees	3.25% - 8.41%
Firefighters	3.25% - 8.15%
Law enforcement officers	3.25% - 7.90%
Municipal Bond Index Rate	
Prior measurement date	3.54%
Measurement date	3.65%
Healthcare Cost Trends	
Pre-Medicare	7.0% for 2023 decreasing to an ultimate rate of 4.5% by 2033
Medicare	5.125% for 2023 decreasing to an ultimate rate of 4.5% by 2026

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2023	10,347,551
Changes for the year	
Service cost	289,278
Interest	369,584
Changes of benefit terms	-
Differences between expected and actual experience	(760,935)
Changes in assumptions or other inputs	6,752
Benefit payments and implicit subsidy credit	<u>(396,665)</u>
Balance at June 30, 2024	9,855,565

The discount rate was based on the June Bond Buyer 20-year General Obligation Bond Index and the Municipal Bond Index Rates as of the measurement date.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would

be if it were calculated using a discount rate that is 1-percentage-point lower (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$11,522,606	\$9,855,565	\$8,548,873

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$8,482,691	\$9,855,565	\$11,631,890

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the Town recognized OPEB expense of \$204,351. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 29,340	\$1,298,592
Changes of assumptions	822,441	1,611,814
Benefit payments and administrative costs made subsequent to the measurement date	<u>358,125</u>	<u>-</u>
Total	\$1,209,906	\$2,910,406

\$358,125 of deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2025	(636,817)
2026	(559,999)
2027	(653,146)
2028	(136,380)
2029	(72,283)
Thereafter	-

2. Other Employment Benefits

- a. The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's benefits, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources at year end is composed of the following:

Contributions to pension plan subsequent to the measurement date	\$ 392,123
Benefit payments made and administrative costs for LEOSSA made subsequent to measurement date	23,395
Benefit payments made and administrative costs for OPEB made subsequent to measurement date	358,125
Difference between expected and actual experience	362,369
Changes of assumption	985,397
Net difference between projected and actual share of earnings on plan investments	715,752
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>65,572</u>
Total	\$2,902,733

Deferred inflows of resources at year end is composed of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 7,963	\$ 7,963
Taxes receivable, less penalties		46,286
Opioid receivable	43,975	43,975
Lease receivable (General Fund)	24,092	24,092
Lease receivable (Water Fund)	6,353	-
Differences between expected and actual expense	1,418,145	-

Change in assumptions	1,650,825	
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	13,550	-
Total	\$3,164,903	\$122,316

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the Town is eligible to and has purchased coverage of \$500,000 per structure through the NFIP for the Town Hall, Theater, and Armory.

The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability, workers compensation, and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

In accordance with G.S. 159-29, The Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$1,000,000, the Tax Collector for \$50,000 and the remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

The Canton ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The ABC Board has commercial property, general liability, auto liability, workmen's compensation and employee health coverage. The Board also has liquor legal liability. There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. Each board member, general manager, and finance officer are bonded in the amount of \$50,000 secured by corporate surety.

5. Commitments

The Town rents parking lots and equipment under agreements for 12 months or less, which are short-term leases. The Town has elected to expense short-term leases. Total rent expense under operating leases was \$59,211. There are no future minimum lease payments under operating leases at June 30, 2024.

6. Line of Credit

The ABC Board has a revolving line of credit with First Citizens Bank. The line of credit has a fixed annual interest rate of 17.90%, and the maximum amount of credit available is \$10,000. There were no amounts due on the line of credit on June 30, 2024.

7. Long-Term Obligations

a. Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Government Activities:

The first agreement was executed in October 2020 to lease an excavator and requires thirty-six monthly payments of \$1,040. The lease liability is measured at a discount rate of 11.3%, which is the implicit rate within the lease agreement. As a result of the lease, the Town has recorded a right to use asset with a book value of \$0 at June 30, 2024. The right to use asset is discussed in more detail in the Capital Asset section of this note.

The second agreement was executed in October 2021 to lease a crawler dozer and requires thirty-six monthly payments of \$2,950. The lease liability is measured at a discount rate of 11.35%, which is the implicit rate within the lease agreement. As a result of the lease, the Town has recorded a right to use asset with a book value of \$9,920 at June 30, 2024. The right to use asset is discussed in more detail in the Capital Asset section of this note.

The third agreement was executed in December 2023 to lease a backhoe loader and requires thirty-six monthly payments of \$2,647⁷. The lease liability is measured at a discount rate of 7.49%, which is the implicit rate within the lease agreement. As a result of the lease, the Town has recorded a right to use asset with a book value of \$69,699 at June 30, 2024. The right to use asset is discussed in more detail in the Capital Asset section of this note.

Business-Type Activities:

For the Water and Sewer Fund, the first agreement was executed in October 2020 to lease a backhoe and requires thirty-six monthly payments of \$1,530. The lease liability is measured at a discount rate of 7%, which is the implicit rate within the lease agreement. This lease was paid off and equipment returned during the year ended June 30, 2024. The right to use asset is discussed in more detail in the Capital Asset section of this note.

The second agreement for the Water and Sewer Fund was executed in October 2020 to lease a second backhoe and requires thirty-six monthly payments of \$1,630. The lease liability is measured at a discount rate of 7%, which is the stated rate in the lease agreement. This lease was paid off and equipment returned during the year ended June 30, 2024. The right to use asset is discussed in more detail in the Intangible Asset section of this note.

The third agreement was executed in October 2021 to lease a track loader and requires thirty-six monthly payments of \$1,090. The lease liability is measured at a discount rate of 10.35%, which is the implicit rate within the lease agreement. As a result of the lease, the Town has recorded a right to use asset with a book value of \$3,766 at June 30, 2024. The right to use asset is discussed in more detail in the Intangible Asset section of this note.

The fourth agreement was executed in October 2023 to lease a backhoe loader and requires thirty-six monthly payments of \$2,588. The lease liability is measured at a discount rate of 10.35%, which is the implicit rate within the lease agreement. As a result of the lease, the Town has recorded a right to use asset with a book value of \$64,388 at June 30, 2024. The right to use asset is discussed in more detail in the Capital Asset section of this note.

The fifth agreement was executed in December 2023 to lease a compact excavator and requires thirty-six monthly payments of \$1,633. The lease liability is measured at a discount rate of 10.35%, which is the implicit rate within the lease agreement. As a result of the lease, the Town has recorded a right to use asset with a book value of \$43,016 at June 30, 2024. The right to use asset is discussed in more detail in the Capital Asset section of this note.

The future minimum lease obligation and net present value of these minimum payments as of June 30, 2024 is as follows:

<u>Year ending June 30</u>	<u>Government</u>		<u>Business-Type</u>	
	Principal	Interest	Principal	Interest
2025	\$39,024	\$ 4,540	\$49,008	\$ 5,994
2026	29,584	2,181	47,879	2,765
2027	12,915	321	14,041	252
=				
Totals	\$81,523	\$ 7,042	\$110,928	\$9,011

b. Direct Borrowings

Governmental Activities:

In November 2010, the Town entered into a direct borrowing contract for \$344,122 to finance the acquisition of a pumper fire truck. The financing contract requires 15 annual payments of \$30,027 including interest at 3.57%. The remaining balance at June 30, 2024 was \$56,985.

In February 2017, the Town entered into a direct borrowing contract for \$775,000 to finance a portion of the aquatic center. The financing contract requires thirty-two bi-annual principal payments of \$25,833 plus interest at 2.89%. The remaining balance at June 30, 2024 was \$413,334.

In June 2023, the Town entered into a direct borrowing contract for \$854,731 to finance new police vehicles. The financing contract requires ten bi-annual payments of \$96,003, including interest at 4.34%. The remaining balance at June 30, 2024 was \$698,140.

In April 2024, the Town entered into a direct borrowing contract for \$57,414 to finance new police radios. The financing contract requires five annual payments of \$13,111, including interest at 6.59%. The remaining balance at June 30, 2024 was \$44,618.

Business-type Activities:

In October 2002, the State Treasurer of North Carolina approved a loan of \$2,242,939 to the Town for the purpose of financing new construction at the wastewater treatment plant. Repayment to the loan began November 2007 upon completion of the construction. The loan requires 20 annual principal payments of \$112,147 and 40 semi-annual interest payments at 2.66%. The remaining balance at June 30, 2024 was \$336,441.

In May 2016, a local bank approved a loan of \$421,217 to the Town for the purpose of financing new radio meter readers. The loan requires 10 annual principal payments of \$48,601, including interest at a rate of 2.69%. The remaining balance at June 30, 2024 was \$138,298.

In February 2017, the Town entered into a direct borrowing contract for \$300,849 to finance the acquisition of water meters. The financing contract requires ten annual principal payments of \$34,056, plus interest at 2.32%. The remaining balance at June 30, 2024 was \$128,674.

In March 2020, the Town entered into a direct borrowing contract for \$1,792,744 to finance the construction of water system improvements at Spruce Street in Canton. The financing contract requires annual payments of \$89,637 plus interest at 1.53%. The remaining balance at June 30, 2024 was \$1,523,832.

Annual debt service payments of direct borrowings as of June 30, 2024 are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 253,200	\$ 45,182	\$ 298,382	\$ 279,664	\$ 35,187	\$ 314,851
2026	262,056	34,834	296,890	281,642	26,355	307,997
2027	241,280	24,089	265,369	122,921	21,499	144,420
2028	249,875	14,000	263,875	89,637	17,829	107,466
2029	51,666	5,599	57,265	89,637	16,458	106,095
2030-2034	155,000	7,839	162,839	448,186	61,715	509,901
2035-2039	-	-	-	448,186	27,429	475,615
2040-2044	-	-	-	89,637	1,371	91,008
Total	\$ 1,213,077	\$ 131,543	\$ 1,344,620	\$ 1,849,510	\$ 207,843	\$ 2,057,353

c. General Obligation Indebtedness

At June 30, 2024 the Town of Canton had no outstanding bonds and no authorized but unissued bonds. The Town had a legal debt margin of \$40,358,256.

d. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations for the year ended June 30, 2024:

	Beginning Balance	Increases	Decreases	Ending Balances	Current Portion
Governmental activities:					
Direct borrowings	1,402,800	57,415	247,138	1,213,077	253,200
Compensated absences	317,917	37,711	-	355,628	85,351
Lease liability	47,694	86,523	52,694	81,523	39,024
Total pension liability (LEO)	279,911	49,434	-	329,345	-
Net pension liability	1,689,365	396,566	-	2,085,931	-
OPEB	8,381,516	-	299,953	8,081,563	-
Governmental activity long-term liabilities	\$ 12,119,203	627,649	\$ 599,785	\$ 12,147,067	\$ 377,575

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Business-type activities:					
Direct borrowings	\$ 2,127,245	\$ -	\$ 277,735	\$ 1,849,510	\$ 279,664
Compensated absences	66,874	17,545	-	84,419	39,804
Lease liability	25,590	137,761	52,423	110,928	49,008
Net pension liability	396,271	192,068	-	588,339	-
OPEB	1,966,035	-	192,033	1,774,002	-
Business-type activity long-term debt	\$ 4,582,015	\$ 347,374	\$ 522,191	\$ 4,407,198	\$ 368,476

C. Concentration Reporting

For the year ended June 30, 2024, one corporation comprised approximately 36% of ad valorem tax revenues and 10% of water sales. See subsequent events about the closure of this corporation.

D. Net Investment in Capital Assets

	Governmental	Business-Type
Capital and right of use assets	\$ 15,859,100	\$ 12,397,830
Less: long-term debt	1,294,601	1,960,438
Net investment in capital assets	\$ 14,564,499	\$ 10,437,392

E. Fund Balances

The following schedule provides management and citizens with information on the portion of fund balance in the general fund that is available for appropriation.

Total fund balance – General Fund	\$ 11,639,391
Less:	
Inventories	17,503
Stabilization by State Statute	962,643
Police	25,028
Streets – Powell Bill	163,404
Subsequent year's expenditures	-
Remaining fund balance	\$ 10,470,813

The Town has no further designation of unassigned fund balance and no formal policies regarding minimum levels of fund balance. The Town had no outstanding encumbrances at June 30, 2024.

IV. Summary Disclosure of Significant Contingencies**Federal and State Assisted Programs**

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

V. Extraordinary Items

In 2022 portions of the Town of Canton were flooded as a result of Tropical Storm Fred. Town Hall and several other buildings and/or sections of the Town are no longer usable after this event. The long-term effects to the Town and community are still being assessed currently. However, the Town was able to repair some real and personal property damages and replace lost contents and equipment prior to year-end. Losses and capital asset impairment losses assessed were reported net of insurance recovery gains within the Statement of Activities for the year ended June 30, 2022. Additional expenses due the flood for the year ending June 30, 2024 were recorded as flood expenses since losses from capital asset impairment was recorded in the previous year. For fund statements the insurance proceeds and replacement costs are recorded separately.

The Pactiv Evergreen paper mill in Canton, North Carolina closed on June 8, 2023 after 115 years in operation. The closure left over 1,000 people unemployed and had a significant impact on the town's cultural and industrial identity. A one-time grant for \$4,000,000 for economic relief was received in the current year to offset the effects to the Town from the papermill closure.

VI. Opioid Settlement Funds

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a \$26 billion-dollar nationwide settlement

related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The majority of these funds are intended for opioid abatement and the distribution of the funds will be front loaded.

North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds allocates the funds as follows:

- 15% directly to the State ("State Abatement Fund")
- 80% to abatement funds established by Local Governments ("Local Abatement Funds")
- 5% to a County Incentive Fund.

The Town was notified they would receive \$73,787 as part of this settlement. For the year ending June 30, 2024 the Town has received \$20,249. Per the terms of the MOA, the Town created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. No funds have been expended as of June 30, 2024. The MOA offered the Town two options of expending the funds. The Town has not yet decided which option they will choose for the use of these funds.

VII. Significant Effects of Subsequent Events

Subsequent events have been evaluated through December 10, 2024, the date the financial statements were available to be issued.

In September 2023 the Town was notified they have been authorized to receive \$42,000,000 to construct a new wastewater treatment plant and sewer system improvements to be financed by the Bipartisan Bill and Cares Act via a direct allocation from the State of North Carolina. The efforts to locate and purchase the needed property is still being located and vetted by an engineering company. The current wastewater treatment is in place until March of 2025 and then will have to be renegotiated at that time with the current company or another entity that may purchase the property in the interim.

In September 2024, heavy rain and winds from Hurricane Helene led to historic flooding and wind damage in Canton. The Town was in the middle of many projects stemming from Tropical Storm Fred in 2021 and is currently working with FEMA and the State of North Carolina Emergency Management to determine the best route to move forward with the ongoing Fred projects and now new damage from Helene. To date the estimated damage from Helene is ongoing but all indications show that it will have historic damage totals.

When considering these events together, we can observe the intersection of natural disasters and economic shifts:

The destruction from Tropical Storm Fred and Hurricane Helen would exacerbate the already challenging situation created by the Papermill's closure. Those displaced from their homes by the storm may face additional difficulty finding new employment, particularly if they live in areas where the papermill was the primary source of jobs.

Both the closure of the papermill and the recovery efforts from the hurricanes could create a dual economic strain. Governments may face pressure to provide financial aid, recovery funds, and jobs to replace those lost in both natural disasters and the industrial sector closure.

The combined effects of these events may lead to an extended recovery period, with local economies and residents facing compounded challenges. Restoration efforts for infrastructure and economic stability will take years, particularly in areas where communities depend on natural resources and industrial employment.

Ultimately, the combined effects of Tropical Storm Fred, Hurricane Helen, and the Papermill closure can lead to a challenging period for the affected regions, requiring both immediate response and long-term planning to restore social and economic balance. The current damage assessment is currently being performed but all indications lead to a very significant cost.

VIII. Reclassifications

Certain prior year amounts have been reclassified for comparison purposes to current year presentation.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Town of Canton, North Carolina
Schedule of Proportionate Share of the Net Pension Liability
Required Supplementary Information
Local Government Employees' Retirement System
Last Eight Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset) %	0.04038%	0.03697%	0.0364%	0.382%	0.04183%	0.03882%	0.042%	0.038%	0.036%	0.038%
Town's proportion of the net pension liability (asset)	\$ 2,674,270	\$ 2,085,636	\$ 558,842	\$ 1,365,049	\$ 1,142,345	\$ 920,943	\$ 648,366	\$ 797,786	\$ 163,316	\$ (221,450)
Town's covered-employee payroll	\$ 2,319,123	\$ 2,751,379	\$ 2,655,896	\$ 2,707,973	\$ 2,611,689	\$ 2,421,400	\$ 2,276,958	\$ 1,829,958	\$ 2,044,962	\$ 1,935,008
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	86.7%	89.9%	21.0%	50.4%	43.7%	38.0%	28.5%	43.6%	7.9%	-11.40%
Plan fiduciary net position as a percentage of the total pension liability	82.49%	84.14%	91.63%	94.16%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

The amounts provided for each fiscal year were determined as of the prior year ending June 30.

Town of Canton, North Carolina
Schedule of Contributions
Required Supplementary Information
Local Government Employees' Retirement System
Last Eight Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 392,123	\$ 293,665	\$318,529	\$281,780	\$369,416	\$328,139	\$291,339	\$295,796	\$242,673	\$161,555
Contribution in relation to the contractually required contribution	\$ 392,123	\$ 293,665	\$ 318,529	\$ 281,780	\$ 369,416	\$ 328,139	\$ 291,339	\$ 295,796	\$ 242,673	\$ 161,555
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Town's covered-employee payroll	\$ 2,896,263	\$ 2,319,123	\$2,751,379	\$2,655,896	\$2,707,973	\$2,611,689	\$2,421,400	\$2,276,958	\$1,829,958	\$2,044,962
Contributions as a percentage of covered-employee payroll	13.54%	12.66%	11.58%	10.61%	13.64%	12.56%	12.03%	12.99%	13.26%	11.99%

Town of Canton, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2024

	2024	2023	2022	2021	2020	2019	2018
Beginning Balance	\$ 279,911	\$ 476,272	\$ 463,326	\$ 358,026	\$ 319,885	\$ 328,916	\$ 297,086
Service cost	22,457	21,695	27,316	15,766	14,335	16,069	13,750
Interest on the total pension liability	11,591	10,472	8,732	11,317	11,248	10,136	11,356
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	29,489	(159,720)	10,338	(8,744)	24,425	(7,284)	(4,613)
Changes of assumptions or other inputs	7,847	(47,075)	(11,707)	108,694	9,866	(11,652)	17,094
Benefit payments	(21,950)	(21,733)	(21,733)	(21,733)	(21,733)	(16,300)	(5,757)
Other changes	-	-	-	-	-	-	-
Ending Balance of the total pension liability	\$ 329,345	\$ 279,911	\$ 476,272	\$ 463,326	\$ 358,026	\$ 319,885	\$ 328,916

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Canton, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2024

	2024	2023	2022	2021	2020	2019	2018
Total pension liability	\$ 329,345	\$ 279,911	\$ 476,272	\$ 463,326	\$ 358,026	\$ 319,885	\$ 328,916
Covered payroll	809,238	548,847	605,430	543,380	591,990	573,038	534,457
Total pension liability as a percentage of covered payroll	40.70%	50.99%	78.67%	85.27%	60.48%	55.82%	61.54%

Notes to the schedule:

The Town of Canton has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Town of Canton, North Carolina
Schedule of Changes in Total OPEB
Liability and Related Ratios
June 30, 2024

	Measurement Period Ending			
	2024	2023	2022	2021
Total OPEB Liability				
Service cost	\$ 289,278	\$ 424,922	\$ 488,113	\$ 317,830
Interest	369,584	277,365	297,417	367,766
Changes of benefit terms			-	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(760,935)	31,376	(1,203,890)	16,662
Changes of assumptions or other inputs	6,752	(2,615,214)	240,336	2,468,102
Net benefit payments and implicit subsidy credit	(396,665)	(371,864)	(379,330)	(400,199)
Other changes	-	-	-	-
Net change in total OPEB liability	(491,986)	(2,253,415)	(557,354)	2,770,161
Total OPEB liability - beginning	10,347,551	12,600,966	13,158,320	10,388,159
Total OPEB liability - ending	\$ 9,855,565	\$ 10,347,551	\$ 12,600,966	\$ 13,158,320
Covered payroll	2,786,658	2,393,727	2,393,727	2,192,556
Total OPEB liability as a percentage of covered payroll	353.67%	432.28%	526.42%	473.79%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period.
The following are the discount rates used in each period:

Fiscal Year	Rate
2024	3.65%
2023	3.54%
2022	2.16%
2021	3.50%
2020	3.50%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

Town of Canton, North Carolina
Comparative Balance Sheets (Non-GAAP)
General Fund
June 30, 2024 and 2023

Exhibit A

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 15,415,625	\$ 9,406,883
Restricted cash	182,869	204,453
Receivables, net:		
Taxes	46,286	42,648
Accounts	223,253	68,765
Due from other governments	738,878	1,731,785
Right of use rent receivable	24,604	65,799
Inventories	17,503	16,995
Total assets	<u>\$ 16,649,018</u>	<u>\$ 11,537,328</u>
LIABILITIES		
Accounts payable and accrued liabilities	52,667	165,310
Salaries payable	49,608	53,358
Unearned revenue	3,910,731	3,855,214
Customer prepayments	19,465	32,060
Due to other funds	898,815	1,028,813
Total liabilities	<u>4,931,286</u>	<u>5,134,755</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	46,286	42,648
Right of use lease receivable	24,092	55,831
Public safety	-	9,563
Prepaid taxes	7,963	7,405
Total deferred inflows of resources	<u>78,341</u>	<u>115,447</u>
FUND BALANCES		
Nonspendable:		
Inventories	17,503	16,995
Restricted:		
Stabilization by state statute	962,643	1,988,413
Public safety	25,028	26,670
Transportation	163,404	182,258
Assigned:		
Subsequent year's expenditures	-	657,000
Unassigned	10,470,813	3,415,790
Total fund balances	<u>11,639,391</u>	<u>6,287,126</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,649,018</u>	<u>\$ 11,537,328</u>

Town of Canton, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2024
 With comparative actual amounts for the year ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)	2023
Revenues:				
Ad valorem taxes:				
Taxes		\$ 3,837,499		\$ 3,772,142
Penalties and interest		9,991		10,331
Total ad valorem taxes	3,613,425	3,847,490	234,065	3,782,473
Other taxes and licenses:				
Privilege licenses		3,085		3,165
	4,300	3,085	(1,215)	3,165
Unrestricted intergovernmental:				
Local option sales taxes		1,580,262		1,551,715
Utility franchise tax		610,346		758,532
Piped natural gas tax		6,011		9,565
Sales tax-telecommunications		24,210		35,461
Sales tax-video programming		25,154		35,939
State hold-harmless distribution		380,433		371,476
Beer and wine tax		21,770		20,114
ABC Profit distribution		42,987		72,655
Total unrestricted intergovernmental	2,380,400	2,691,173	310,773	2,855,457
Restricted intergovernmental:				
Powell Bill allocation		165,530		149,724
ARP grant - COVID		-		692,689
Government Crime Comm grant		2,400		13,507
SCIF Grant		-		80,000
PARTF Grant		-		225,306
NC Forest Service Grant		4,162		-
NC Natural and Cultural Resources Grant		275,757		-
Miscellaneous grants		-		-
Total restricted intergovernmental	434,979	447,849	12,870	1,161,226
Investment earnings:				
Interest earnings		528,246		121,613
Total investment earnings	416,810	528,246	111,436	121,613

(continued)

Town of Canton, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2024

With comparative actual amounts for the year ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)	2023
Revenues (continued)				
Sales and services:				
Rents		\$ 69,327		\$ 48,694
Miscellaneous revenue-Police Department		196,826		131,864
Court facilities fees and forfeitures		2,086		3,412
Fire protection charges		142,510		137,153
Solid waste disposal tax		3,487		6,366
Sale of material and labor		2,100		3,578
Refuse collection fees		277,829		276,473
Recreation admissions and concessions		130,919		71,695
Theater revenue		-		-
Other		13,126		1,589
Total sales and services	757,690	838,210	80,520	680,824
Miscellaneous:				
Special event fees		117,673		109,318
Donations		603,213		165,384
Insurance Proceeds		3,400		-
Other miscellaneous		61,242		25,196
Total miscellaneous	1,467,476	785,528	(681,948)	299,898
Total revenues	9,075,080	9,141,581	66,501	8,904,656
Expenditures:				
General government:				
Governing Board				
Other operating expenditures		40,559		33,168
Total governing board	45,495	40,559	4,936	33,168
Administration:				
Salaries and employee benefits		180,207		164,533
Other operating expenditures		4,689		6,109
Capital outlay		-		-
Total administration	190,348	184,896	5,452	170,642
Finance				
Salaries and employee benefits		306,245		294,869
Other operating expenditures		72,953		96,358
Capital outlay		-		-
Total finance	399,736	379,198	20,538	391,227

(continued)

Town of Canton, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2024
 With comparative actual amounts for the year ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)	2023
Expenditures (continued)				
Legal:				
Part-time salaries		\$ -		\$ -
Other operating expenditures		41,922		27,852
Total legal	42,300	41,922	378	27,852
Planning and zoning				
Salaries and employee benefits		229,329		169,448
Other operating expenditures		298,480		202,514
Capital outlay		-		-
Total planning and zoning	561,503	527,809	33,694	371,962
Community promotion				
Other operating expenditures		6,573		3,797
Capital Outlay		-		-
Total community promotion	7,550	6,573	977	3,797
Municipal buildings:				
Salaries and employee benefits		4,648		4,648
Other operating expenditures		158,676		147,505
Capital outlay		-		1,289,446
Total municipal buildings	166,050	163,324	2,726	1,441,599
Total general government	1,412,982	1,344,281	68,701	2,440,247
Public safety:				
Police:				
Salaries and employee benefits		1,783,039		1,644,879
Other operating expenditures		262,796		273,586
Capital outlay		94,814		2,111,567
Total police	2,341,407	2,140,649	200,758	4,030,032
Fire:				
Salaries and employee benefits		808,564		823,001
Other operating expenditures		133,361		130,993
Capital outlay		65,373		59,447
Total fire	1,081,341	1,007,298	74,043	1,013,441
Total public safety	3,422,748	3,147,947	274,801	5,043,473

(continued)

Town of Canton, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2024
 With comparative actual amounts for the year ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)	2023
Expenditures (continued)				
Public works:				
Traffic Engineering	\$ 1,059	\$ 1,059	\$ -	\$ -
Central services:				
Salaries and employee benefits		127,979		122,938
Other operating expenditures		52,605		50,621
Total central services	190,447	180,584	9,863	173,559
Streets:				
Salaries and employee benefits		819,023		823,865
Other operating expenditures		300,769		270,222
Capital outlay		168,876		185,844
Total streets	1,288,676	1,288,668	8	1,279,931
Horticulture:				
Other operating expenditures		34,092		53,552
Total street cleaning and sweeping	40,500	34,092	6,408	53,552
Powell bill:				
Other operating expenditures		199,739		74,528
Capital outlay		-		-
Total powell bill	305,000	199,739	105,261	74,528
Total public works	1,825,682	1,704,142	121,540	1,581,570
Environmental protection:				
Sanitation:				
Other operating expenditures		259,135		237,382
Total sanitation	280,000	259,135	20,865	237,382
Landfill:				
Other operating expenditures		4,155		7,025
Capital outlay		-		-
Total landfill	22,000	4,155	17,845	7,025
Total environmental protection	302,000	263,290	38,710	244,407

(continued)

Town of Canton, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2024

With comparative actual amounts for the year ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)	2023
Expenditures (continued)				
Cultural and recreational:				
Canton historical museum:				
Salaries and employee benefits		\$ 20,705		\$ 20,319
Other operating expenditures		13,925		11,670
Total Canton Historical Museum	35,909	34,630	1,279	31,989
Recreational areas and facilities:				
Salaries and employee benefits		110,323		79,840
Other operating expenditures		347,325		341,423
Capital outlay		913,230		995,764
Total recreational areas and facilities	1,781,663	1,370,878	410,785	1,417,027
Colonial pathway				
Salaries and employee benefits		13,210		12,494
Other operating expenditures		45,269		35,529
Capital outlay		-		-
Total recreation concessions	64,245	58,479	5,766	48,023
Armory				
Salaries and employee benefits		-		-
Other operating expenditures		25,306		25,999
Capital outlay		-		-
Total recreation concessions	25,400	25,306	94	25,999
Recreation planning				
Salaries and employee benefits		84,995		68,790
Other operating expenditures		24,339		16,405
Total recreation planning	120,012	109,334	10,678	85,195
Total cultural and recreational	2,027,229	1,598,627	428,602	1,608,233

(continued)

Town of Canton, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2024
 With comparative actual amounts for the year ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)	2023
Expenditures (continued)				
Debt service:				
Principal retirement		\$ 299,831		\$ 115,959
Interest and fees		58,132		26,397
Total debt service	365,766	357,963	7,803	142,356
Total expenditures	9,356,407	8,416,250	940,157	11,060,286
Revenue over (under) expenditures	(281,327)	725,331	1,006,658	(2,155,630)
Other financing sources (uses):				
Transfer to other fund				736
Sale of capital assets		-		500
Insurance recovery		207,711		-
Lease liability issued		-		854,731
Loan proceeds		143,938		855,967
Total other financing sources	(332,273)	351,649	683,922	-
Fund balance appropriated	812,000	-	(812,000)	-
Net change before extraordinary Items	198,400	1,076,980	878,580	(1,299,663)
Extraordinary items:				
Flood damage expenses	(1,217,111)	(962,471)	254,640	(876,740)
FEMA/NC Emergency Management grants	-	699,384	-	527,305
NC Disaster Recovery Grant	-	-	-	3,425,537
NC Unmet Needs State Appropriation	-	538,372	-	117,429
NC Economic Development Relief Grant	-	4,000,000	-	-
Flood Reimbursement - STRAP Grant	-	-	-	163,875
Total extraordinary revenue	1,018,711	5,237,756	4,219,045	4,234,146
Total extraordinary items	(198,400)	4,275,285	4,473,685	3,357,406
Net change in fund balance	-	5,352,265	5,352,265	2,057,743
Fund balance, beginning of year		6,287,126		4,229,383
Fund balance, end of year		\$ 11,639,391		\$ 6,287,126

Town of Canton, North Carolina
Opioid Settlement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2024

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Opioid settlement funds	\$ 73,787	\$ 9,563	\$ 20,249	\$ 29,812	\$ (43,975)
Expenditures:					
Collaborative strategic planning	-	-	-	-	-
Opioid addiction treatment	73,787	-	-	-	73,787
Recovery support treatment	-	-	-	-	-
Total expenditures	73,787	-	-	-	73,787
Revenue and other sources over (under) expenditures	-	9,563	20,249	29,812	29,812
Fund balance, beginning			9,563		
Fund balance - ending			\$ 29,812		

Town of Canton, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2024
 With comparative actual amounts for the year ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)	2023
OPERATING REVENUES				
Charges for services:				
Water sales		\$ 2,134,262		\$ 2,193,012
Sewer charges		974,872		527,401
Taps and connection fees		100,450		102,107
Reconnection fees		23,725		13,850
Other operating revenues		681		3,043
Total operating revenues	3,137,650	3,233,990	96,340	2,839,413
NON-OPERATING REVENUES				
Interest on investments		180,858		42,796
Sale of materials and equipment		14,849		7,013
Total non-operating revenues	103,100	195,707	92,607	49,809
Total revenues	3,240,750	3,429,697	188,947	2,889,222
OPERATING EXPENDITURES				
Administration:				
Salaries and employee benefits		252,504		214,182
Repairs and maintenance		441		2,501
Other operating expenditures		43,567		44,871
Total administration	309,001	296,512	12,489	261,554
Water treatment				
Salaries and employee benefits		405,555		344,546
Repairs and maintenance		57,805		153,063
Other operating expenditures		334,488		342,025
Total water treatment	1,017,141	797,848	219,293	839,634
Water and sewer distribution				
Salaries and employee benefits		458,560		403,296
Repairs and maintenance		24,331		137,186
Other operating expenditures		296,386		247,764
Total water and sewer distribution	907,161	779,277	127,884	788,246
Sewer treatment plant:				
Repairs and maintenance		38,169		-
Other operating expenses		314,812		332,473
Total sewer treatment	397,461	352,981	44,480	332,473
Debt service:				
Principal retirement		330,158		321,916
Interest		41,307		49,338
Total debt service	375,936	371,465	4,471	371,254
Capital outlay:	200,500	191,293	9,207	1,181,469

(continued)

Town of Canton, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2024

With comparative actual amounts for the year ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)	2023
OPERATING EXPENDITURES (continued)				
Total expenditures	\$ 3,207,200	\$ 2,789,376	\$ 417,824	\$ 3,774,630
Revenues over (under) expenditures	33,550	640,321	606,771	(885,408)
OTHER FINANCING SOURCES (USES)				
Grants		501,951		58,440
Lease liability issued		137,761		-
Total other financing sources (uses)		639,712	639,712	58,440
Budgetary appropriation	-	-	-	-
Revenues and other financing sources over (under)	33,550	1,280,033	1,246,483	(826,968)
Extraordinary items:				
Flood damage expenses	-	(19,642)		(3,309)
FEMA/NC Emergency Management grants		8,225		3,309
NC Disaster Recovery grant		-		1,019,250
Total extraordinary items	(33,550)	(11,417)	22,133	1,019,250
Revenues, other financing sources and extraordinary items over expenditures	\$ -	\$ 1,268,616	\$ 1,268,616	\$ 192,282
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items:				
Principal retirement		330,158		321,916
Increase (decrease) in deferred outflows - pension		99,912		72,332
Increase (decrease) in deferred outflows - OPEB		(85,471)		(89,366)
(Increase) decrease in interest accrued on long term debt		(2,073)		2,234
(Increase) decrease in accrued salaries and compensated absences		(17,155)		18,911
(Increase) decrease in pension liability		(192,068)		(290,091)
(Increase) decrease in deferred inflows - pension		3,690		154,856
(Increase) decrease in deferred inflows - OPEB		111,171		(227,440)
(Increase) decrease in accrued OPEB liability		192,033		428,149
Capital outlay		191,293		1,181,469
Lease liability issued		(137,761)		-
Depreciation & amortization		(454,368)		(442,642)
Total reconciling items		39,361		1,130,328
Change in net position		\$ 1,307,977		\$ 1,322,610

Exhibit E

Town of Canton, North Carolina
Sewer Improvements and WWTP Preliminary Engineering Capital Project
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2024

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
NC Drinking Water Reserve and Wastewater Reserve	\$ 3,364,750	\$ -	\$ -	\$ -	\$ (3,364,750)
Expenditures:					
Construction	1,042,250	58,440	231,465	289,905	752,345
Engineering	725,000	-	-	-	725,000
Administration	<u>1,597,500</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>1,593,500</u>
Total expenditures	<u>3,364,750</u>	<u>58,440</u>	<u>235,465</u>	<u>293,905</u>	<u>3,070,845</u>
Revenue and other sources over (under) expenditures	-	(58,440)	(235,465)	(293,905)	(293,905)
Fund balance, beginning			<u>(58,440)</u>		
Fund balance - ending			<u><u>\$ (293,905)</u></u>		

Town of Canton, North Carolina
Water Treatment Plant Renovations and Water System
Improvements Capital Project
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2024

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
NC Drinking Water Reserve and Wastewater Reserve	\$ 5,847,290	\$ -	\$ -	\$ -	\$ (5,847,290)
Economic Development Admin.	1,028,500				(1,028,500)
Town of Clyde	50,000				(50,000)
Total revenues	6,925,790	-	-	-	(6,925,790)
Expenditures:					
Construction	5,257,768	-	-	-	5,257,768
Engineering	1,043,022	-	128,046	128,046	914,976
Administration	625,000	-	138,440	138,440	486,560
Total expenditures	6,925,790	-	266,486	266,486	6,659,304
Revenue and other sources over (under) expenditures	-	-	(266,486)	(266,486)	(266,486)
Fund balance, beginning			-		
Fund balance - ending			<u>\$ (266,486)</u>		

OTHER SCHEDULES

Town of Canton, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2024

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2023</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2024</u>
2023-2024	\$ -	\$ 3,844,207	3,805,098	\$ 39,109
2022-2023	22,969	-	15,290	7,679
2021-2022	8,577	-	2,760	5,817
2020-2021	5,549	-	1,451	4,098
2019-2020	4,324	-	1,050	3,274
2018-2019	4,887	-	1,385	3,502
2017-2018	3,883	-	1,233	2,650
2016-2017	4,137	-	1,534	2,603
2015-2016	8,443	-	5,538	2,905
2014-2015	6,809	-	2,958	3,851
2013-2014	4,114	-	4,114	-
	<u>\$ 73,692</u>	<u>\$ 3,844,207</u>	<u>\$ 3,842,411</u>	<u>75,488</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>(29,202)</u>
Ad valorem taxes receivable - net				<u>\$ 46,286</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				<u>\$ 3,847,490</u>
Reconciling items:				
Interest collected				(9,991)
Discounts allowed				798
Taxes written off				<u>4,114</u>
Subtotal				<u>(5,079)</u>
Total collections and credits				<u>\$ 3,842,411</u>

Exhibit H

Town of Canton, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2024

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property - real and personal	668,454,074	0.54	\$ 3,609,652	\$ 3,609,652	\$ -
Registered motor vehicles	39,099,259	0.54	211,136	-	211,136
Advertising			2,612	2,612	-
Total			3,823,400	3,612,264	211,136
Discoveries:					
Current and prior years	4,000,958	0.54	21,605	21,605	-
Releases	147,777	0.54	(798)	(798)	-
Total property valuation	<u>711,406,514</u>				
Net levy			3,844,207	3,633,071	211,136
Uncollected taxes at June 30, 2024			(39,109)	(39,109)	-
Current year's taxes collected			<u>\$ 3,805,098</u>	<u>\$ 3,593,962</u>	<u>\$ 211,136</u>
Current levy collection percentage			<u>98.98%</u>	<u>98.92%</u>	<u>100.00%</u>

COMPLIANCE SECTION

SHEILA GAHAGAN, CPA

229 Penland Street

Clyde, NC 28721

Phone: 828-627-1040 Fax: 828-627-2329

INDEPENDENT AUDITOR' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor
and Members of the Board of Aldermen
Town of Canton, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Canton, North Carolina (Town of Canton) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Canton's basic financial statements and have issued my report thereon dated December 10, 2024. Another auditor audited the financial statements of the Town of Canton's ABC Board, as described in my report on the Town of Canton's financial statements. The financial statements of the Town of Canton's ABC Board were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Canton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Canton's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Canton's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Canton's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Sheila Gahagan, CPA
December 10, 2024

SHEILA GAHAGAN, CPA

229 Penland Street

Clyde, NC 28721

Phone: 828-627-1040 Fax: 828-627-2329

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Canton, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited the Town of Canton, North Carolina's (Town of Canton) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town of Canton's major federal programs for the year ended June 30, 2024. The Town of Canton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, the Town of Canton, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State Single Audit Implementation Act*. My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the Town of Canton and to meet other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of the Town of Canton's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town of Canton's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Canton's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Canton's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Canton's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of the Town of Canton's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Canton's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance

requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Sheila Gahagan, CPA

December 10, 2024

SHEILA GAHAGAN, CPA

229 Penland Street

Clyde, NC 28721

Phone: 828-627-1040 Fax: 828-627-2329

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Canton, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

I have audited the Town of Canton, North Carolina's (Town of Canton) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors* issued by the North Carolina Local Government Commission that could have a direct and material effect on each of the Town of Canton's major state programs for the year ended June 30, 2024. The Town of Canton's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In my opinion, the Town of Canton, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2024.

Basis for Opinion on Each Major State Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State Single Audit Implementation Act*. My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the Town of Canton and to meet other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major state program. My audit does not provide a legal determination of the Town of Canton's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town of Canton's state programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Canton's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Canton's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Canton's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of the Town of Canton's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *State Single Audit Implementation Act*, but not for the purpose of expressing an opinion on the effectiveness of the Town of Canton's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that identified during the audit.

Report on Internal Control over Compliance

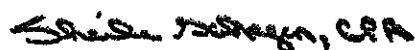
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of

compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.



Sheila Gahagan, CPA

December 10, 2024

**TOWN OF CANTON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

I. Summary of Auditor's Results

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material weakness identified _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses _____ Yes X None reported

Noncompliance material to financial statements noted _____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness identified _____ Yes X No

Significant deficiency(s) identified _____ Yes X None reported

Type of auditor's report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) _____ Yes X No

Identification of major federal programs:

AL Number	Federal Program
97.036	Department of the Homeland Security: Disaster Grants – Public Assistance – Presidentially Declared

Dollar threshold used to distinguish between Type A and Type B program: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

**TOWN OF CANTON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

I. Summary of Auditor's Results (Continued)

State Awards

Internal control over major state programs:

Material weakness identified _____ Yes X No

Significant deficiency(s) identified _____ Yes X None reported

Type of auditor's report issued on compliance for major state programs: Unqualified

Any audit findings disclosed that are
required to be reported in accordance
with the State Single Audit
Implementation Act _____ Yes X No

Identification of major state programs:

State ID Number	State Program
N/A	NC Department of Public Safety: Tropical Storm Fred Debris Removal & Public Infrastructure Repairs

II. Financial Statements Findings

None reported

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

**TOWN OF CANTON, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2024**

II. Financial Statement Findings

Not applicable

III. Federal Award Findings and Questioned Costs

Not applicable

IV. State Award Findings and Questioned Costs

Not applicable

**TOWN OF CANTON, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2024**

II. Financial Statement Finding

2023-001 Failure to Document Compliance with State Required Pre-Audit Certification and the Town's Procurement Policies and Procedures

Status: Corrected.

2023-002 Expenditures Exceeded Board Approved Appropriations

Status: Corrected.

III. Federal Award Findings and Questioned Costs

No prior year audit findings

IV. State Award Findings and Questioned Costs

No prior year audit findings

Town of Canton, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2024

	Federal AL Number	Federal Expenditures	State Expenditures	State Number
<u>Department of Homeland Security</u>				
Passed through NC Department of Public Safety				
Disaster Grants - Public Assistance - Presidentially Declared	97.036	\$ 636,849	\$ 70,761	
<u>Department of Environmental Quality</u>				
Passed through North Carolina Department of Environmental Quality				
Drinking Water Reserve and Waterwater Reserve Projects				
Coronavirus State and Local Fiscal Recovery Funds/ARP	21.027	501,951	-	
<u>Department of Transportation</u>				
Passed through NC Department of Natural and Cultural Resources				
Recreational Trails Program	20.219	97,903		
Passed through North Carolina Department of Public Safety				
Governor's Highway Safety Program				
State and Community Highway Safety	20.600	2,400		
<u>NC Department of Public Safety</u>				
Tropical Storm Fred Removal & Public Infrastructure Repairs		-	538,372	MOA # 0048-03
<u>NC Department of Agricultural and Consumer Services</u>				
Voluntary Fire Assistance Program			4,162	N/A
<u>NC Department of Natural and Cultural Resources</u>				
NC Parks and Recreation Trust Fund			100,000	Accessible playground
NC Parks and Recreation Trust Fund			77,854	Contract 2998
			<u>177,854</u>	
<u>NC Department of Transportation</u>				
Non-State System Street-Aid Allocation				
Powell Bill		-	165,530	DOT-4
<u>Other Financial Assistance:</u>				
NC Department of Justice				
Opioid Settlement Funds (Note 4)		-	-	
Total expenditures of federal and state awards		<u>\$ 1,239,103</u>	<u>\$ 956,679</u>	

Notes to the Schedule of Expenditures of State Financial Awards:

1 Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the Town of Canton under programs of the federal government and the State of North Carolina for the year ended June 30, 2024. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule only presents a selective portion of the operations of the Town of Canton, it is not intended to and does not present the financial position, change in net assets or cash flows of the Town.

2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the State Single Audit Implementation Act, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

3 The Town has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4 The NC Department of Justice does not consider Opioid Settlement Funds either Federal or State Financial assistance since they are from a settlement with private major drug companies. Since these funds are subject to the State Single Audit Implementation Act, they are reported as "Other Financial Assistance" on the SEFSA, and considered State Awards for State single audit requirements.

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